

EXHIBIT 2

cc: ~~MALE~~
KD
PJG

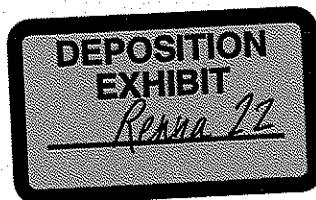
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OXYGENATED/REFORMULATED GASOLINE
MANAGEMENT REVIEW

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- In order to reduce our oxygenated gasoline requirements by about 40 TBD, Marketing will resource about 15 TBD of gasoline and incur a penalty of about \$500 M annually.
- Marketing will support plans to optimize finished products tankage by accommodating terminal blending of mid-grade gasoline at 36 locations (in addition to Phoenix) and will require capital of about \$11 MM in 1991 and 1992. A detailed listing of Marketing Terminal Capital requirements is shown in Exhibit 12.
- Marketing is currently performing a study of our Northeast distributor volume to more accurately determine the oxygenated/conventional split. We do not expect these results to vary significantly from our current estimates.

OXYGENATED GASOLINE ECONOMICS

In summary, the cost of oxygenated gasoline combining oxygenate laid down cost in excess of its octane value, increased New York Harbor gasoline tankage cost and Marketing resourcing cost totals about \$53 MM annually. This excludes incremental Manufacturing operating costs as well as the costs associated with the potential loss of Gulf/Harbor trading and the carrying costs of higher inventories all of which are currently under review.

COMPETITIVE OXYGENATE SUPPLY/DEMAND

As shown in Exhibit 13, Mobil and Shell have the largest oxygenate requirements measured in terms of MTBE equivalents with demands of about 35 TBD. Arco follows a close second with 30 TBD, however, their requirements are all on the West Coast which is particularly difficult to supply. If we were to offset these requirements with known MTBE production capability plus assumed MTBE supplies necessary to support current sales of "reformulated/oxygenated" gasoline, Mobil and Shell continue to have the greatest shortfall, while Arco Products has sufficient access to MTBE from Arco Chemical, the world's largest MTBE producer.

CONTINGENCY PLAN-ETHANOL BACKUP

In the event that sufficient MTBE supply is judged not to be available by about September 1991 (9-12 months prior to commencement of oxygenated fuel production), ethanol might be used to replace MTBE at the following terminals:

	MTBE (TBD)	ETHANOL (TBD)	CAPITAL (\$MM)
Boston	2.8	1.9	1.5
Paulsboro	1.9	1.3	1.8
Malvern	1.8	1.2	0.6
Syracuse	1.1	0.7	0.7
Sub-total	7.6	5.1	4.6
Service Station Costs (Filters, etc.)			0.2
Total			4.8

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Use of ethanol instead of MTBE at the terminals listed above reduces USM&R's MTBE requirements by almost 20%. Ethanol requirements of 5.1 TBD assume blending 10% to gasoline to obtain the Federal Excise tax exemption of 5.4 cpg for gasohol. Although some octane giveaway would result, overall operating costs are expected to be lower with ethanol than MTBE. These are currently being estimated.

Capital requirements are scoping estimates of facilities needed to receive and blend ethanol at the terminals. Terminal blending is necessary since gasoline blended with ethanol is not permitted via pipeline. Based on our experience at Phoenix, the construction period needed to install the facilities will be about nine to twelve months.

The Boston, Paulsboro and Malvern terminals have been selected due to their proximity to ethanol supply sources. Archer Daniels Midland (ADM) has indicated that they are in the process of obtaining tankage at Paulsboro, NJ and Revere, MA for ethanol storage. At East Boston, ethanol would be received by barge and at Paulsboro and Malvern, it would be available by rail or truck. In case the facilities to receive and blend ethanol at the terminals are not operating in time, ADM has indicated a willingness to splash blend ethanol into partially loaded trucks at their terminals until Mobil's facilities are operational.

Syracuse will be supplied with ethanol by rail from ADM's facilities in the Midwest. Truck receipt into the terminal can be achieved by transferring the ethanol from railcars to trucks at a rail siding adjacent to the terminal although this is not a recommended procedure.

In addition to the terminals listed above, ethanol might also be considered as a contingency at the Vernon and Atwood terminals. Although ADM does not currently have any ethanol storage in California, they will consider ethanol supplies on the West Coast if they have sufficient long term commitments from the industry.

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ATTAC NT I COMPETITIVE ERNATIVE FUELS ACTIVITY

COMPANY	ACTION/PLANS	MAX RVP SUMMER	MAX AROM VOL %	MAX BENZ VOL %	MAX SULF PPM	TYPICAL WT% OXY	TIMING	REFERENCE
ARCO	Reformulated Gasoline - BC-1 EC-1 expanded to 700 outlets from Santa Barbara to San Diego Reformulated Premium - EC-Premium. Introduced in S. California. M85 California up to 25 Stations	8.5	20	1	300	1.0	Sept - 1989 Apr - 1990 Sept - 6 - 1990 Began 1988	U.S. Oil Week Petroscan Platts 9/6/90
DIAM. SHAM. SUNOCO	Reformulated Gasoline - "RG-87" in Colorado 0.05 wt% Sulfur Diesel for Philadelphia Area Reformulated Gasoline - Target Philadelphia called "ECOCLEAN" M85 Distribution Test - Stations in Detroit and Washington DC	8.0 8.5	25 20	1 1	300 300	1.5 2.0	Sept - 1989 Decem - 1989 Jan - 1989 Q1-2 1990 Q1 1990	U.S. Oil Week U.S. Oil Week Petroscan U.S. Oil Week
AMOCO	Lower RVP Gasoline (9.5 psi) in N. Illinois/NW Indiana Area CNG - 4 Stations in Denver, Northglenn, Boulder, Longmont. Joint program with Colorado Public Service. Opened a CNG station in Washington D.C. Reduced Emissions Gasoline - 15% MTBE in 3 grades - Meets CAA 1992 CO area standards. Introduction in Virginia/DC/Baltimore market.	9.0	30	1	No Spec	2.7	June - 1990 Begin 1990 Nov - 11 - 1990	U.S. Oil Week Platt's Oilgram 12/21/89 Wash Post
SHELL	Reformulated Gasoline - SU2000E for 9 ozone non-attainment areas plus Washington DC. It will replace current SU2000 M85 - 2 Stations each in No and So California CNG - Joint program with Pacific Gas in Northern CA. Number of stations unknown.	8.0 - 8.5	No Spec	No Spec	No Spec	1.0	Apr - 11 - 1990	News Release
EXXON	M85 - Up to 5 Stations in California Reformulated Gasoline - Reduced RVP in 40 major markets in SUL and IUL. 5.5% MTBE in NY and LA (premium) markets only. Winter Blend in Virginia, Baltimore, Boston, Wash DC, & Spokane WA markets	8.0 - 8.5 N/A	No Spec No Spec	No Spec No Spec	No Spec No Spec	1.0 in NY/LA 1.0	Q4 1991 1991/92 Late 1991 Jun-90 Nov-90	N.Y. Times Petroscan Petroscan Petroscan Petroscan
CHEVRON	M85 - Up to 25 Stations in California Reformulated Gasoline - Replaces current SUL in LA, San Diego. Will introduce in Houston and Baltimore later this summer. (Delayed Houston & Balt). Reformulated Diesel - 52 Octane, 0.35% sulfur, 30% aromatics	8.0	No Spec	No Spec	No Spec	1.0	Ongoing June-15-1990	Petroscan Petroscan
CONOCO	Reformulated Gasoline - "RXL" blended in Colorado and Montana Reformulated Gasoline - Regular Unleaded Grade in Montana	8.5 8.5	25 25	2 No Spec	300 No Spec	2.5 in Winter 0.0	Q1 1990 June 11 1990	U.S. Oil Week Oxy Fuel News
PHILLIPS	"UltraClean Fleet LPG" for introduction in Midwest. Reformulated Gasoline - "Superclean Unleaded Plus" in Colorado Reformulated Gasoline - "Superclean Unleaded Plus" in St Louis	8.5 9.0	20 20	1 1	300 300	2.0 2.0	Spring 1990 Mid-Jan 1990 Apr 22 - 1990	Petroscan Petroscan
MARATHON COASTAL UNOCAL	Reformulated Gasoline - "Amercian" - 3 unleaded grades in Detroit CNG program in Southwest Wisconsin joint with Univ of Wis. Also part of Natural Fuels program supply of CNG Service Stations in Colorado. CNG program with San Diego Gas. CNG available at a service station by early '91.	9.5	25	No Spec	No Spec	1.8	Mar 26 - 1990	Petroscan

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